

AMENDED IN ASSEMBLY AUGUST 21, 2007

AMENDED IN ASSEMBLY JUNE 20, 2007

AMENDED IN SENATE MARCH 19, 2007

SENATE BILL

No. 105

Introduced by Senator Migden

January 17, 2007

An act to amend Sections 17021.7 and 17024.5 of, and to add Section 19136.13 to, the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 105, as amended, Migden. Taxation: registered domestic partners.

(1) The Personal Income Tax Law imposes taxes on taxable income and treats married couples and registered domestic partners the same in determining ownership of business interests and stock shares. Under existing franchise and income tax laws and the Corporation Tax Law, the marital status of a person is considered in determining the ownership of business interests and stock shares. The Katz-Harris Taxpayers' Bill of Rights *Act* provides taxpayers with specified protections for purposes of, among other things, determining their correct tax liability, and includes a release from a levy upon a finding that the levy threatens the health or welfare of the taxpayer or the taxpayer's spouse.

This bill would provide that a domestic partner or former domestic partner be treated as the spouse or former spouse of that taxpayer for purposes of applying the Personal Income Tax Law, specified franchise and income tax laws, the Corporation Tax Law, and the Katz-Harris Taxpayer's *Taxpayers'* Bill of Rights Act, except where that treatment

would result in specified treatment under federal income tax law, as provided.

(2) The Personal Income Tax Law defines “adjusted gross income” with regard to registered domestic partners filing a joint return, for the purposes of computing limitations based upon that income, as the total of the amount required to be shown as adjusted gross income on the federal tax return for the same taxable year of each registered domestic partner.

This bill would revise the definition of “adjusted gross income” with regard to registered domestic partners, including former registered domestic partners, for purposes of computing limitations based upon that income, to mean the total of the adjusted gross income on a federal tax return computed as if the registered domestic partner or former registered domestic partner was treated as a spouse or former spouse, respectively, for federal income tax purposes and used the same filing status that was used on the state tax return for the same taxable year.

(3) The Personal Income Tax Law imposes a penalty on a taxpayer who underpays an estimated income tax but specifies that a penalty may not be imposed for an underpayment in specified taxable years if the underpayment was created or increased by specified changes in law.

This bill would prohibit the ~~information~~ *imposition* of a penalty under that law for an underpayment in the 2007 taxable year if the underpayment was created or increased by a specified change in law.

This bill would incorporate additional changes made by AB 1561 that would become operative if both bills are enacted and this bill is enacted after AB 1561.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 17021.7 of the Revenue and Taxation
- 2 Code is amended to read:
- 3 17021.7. (a) (1) For purposes of this part, the domestic partner
- 4 of the taxpayer shall be treated as the spouse of the taxpayer for
- 5 purposes of applying only Sections 105(b), 106(a), 162(l), 162(n),
- 6 and 213(a) of the Internal Revenue Code and for purposes of
- 7 determining whether an individual is the taxpayer’s “dependent”

1 or “member of their family” as these terms are used in those
2 sections.

3 (2) This subdivision shall apply to each taxable year beginning
4 on or after January 1, 2002.

5 (b) (1) Except as otherwise provided, the domestic partner or
6 former domestic partner of a taxpayer shall be treated as the spouse
7 or former spouse of that taxpayer for purposes of applying
8 provisions of this part, Part 10.2 (commencing with Section 18401),
9 Part 10.7 (commencing with Section 21001), and Part 11
10 (commencing with Section 23001), and for purposes of applying
11 provisions of the Internal Revenue Code that are applicable for
12 purposes of this part, Part 10.2, Part 10.7, or Part 11.

13 (2) A domestic partner shall not be treated as the spouse of a
14 taxpayer as required by paragraph (1) in the following
15 circumstances:

16 (A) Where the treatment would result in the classification of a
17 business entity for purposes of this part, Part 10.2, or Part 11 that
18 would be different than the classification of that business entity
19 for federal income tax purposes.

20 (B) Where the treatment required by paragraph (1) would result
21 in disqualification for federal income tax purposes of a plan that
22 otherwise qualifies under Section 401(a) of the Internal Revenue
23 Code.

24 (C) Where the treatment would result in a tax-favored account
25 that would not be qualified as a tax-favored account for federal
26 income tax purposes. For purposes of this subparagraph,
27 “tax-favored account” means an individual account, plan, or
28 arrangement that is exempt from income tax under Chapter 1 of
29 the Internal Revenue Code, including an individual retirement
30 account, as described in Section 408 of the Internal Revenue Code,
31 an Archer MSA, as described in Section 220 of the Internal
32 Revenue Code, a qualified tuition program, as described in Section
33 529 of the Internal Revenue Code, and a Coverdell education
34 savings account, as described in Section 530 of the Internal
35 Revenue Code.

36 (3) The amendments made by the act adding this subdivision
37 shall be operative for each taxable year beginning on or after
38 January 1, 2007.

(c) For purposes of this section, the term “domestic partner” means an individual partner in a domestic partner relationship within the meaning of Section 297 of the Family Code.

SEC. 2. Section 17024.5 of the Revenue and Taxation Code is amended to read:

17024.5. (a) (1) Unless otherwise specifically provided, the terms “Internal Revenue Code,” “Internal Revenue Code of 1954,” or “Internal Revenue Code of 1986,” for purposes of this part, mean Title 26 of the United States Code, including all amendments thereto as enacted on the specified date for the applicable taxable year as follows:

Taxable Year	Specified Date of Internal Revenue Code Sections
(A) For taxable years beginning on or after January 1, 1983, and on or before December 31, 1983.....	January 15, 1983
(B) For taxable years beginning on or after January 1, 1984, and on or before December 31, 1984.....	January 1, 1984
(C) For taxable years beginning on or after January 1, 1985, and on or before December 31, 1985.....	January 1, 1985
(D) For taxable years beginning on or after January 1, 1986, and on or before December 31, 1986.....	January 1, 1986
(E) For taxable years beginning on or after January 1, 1987, and on or before December 31, 1988.....	January 1, 1987
(F) For taxable years beginning on or after January 1, 1989, and on or before December 31, 1989.....	January 1, 1989
(G) For taxable years beginning on or after January 1, 1990, and on or before December 31, 1990.....	January 1, 1990
(H) For taxable years beginning on or after January 1, 1991, and on or before December 31, 1991.....	January 1, 1991

1 (I) For taxable years beginning on or after
2 January 1, 1992, and on or before December
3 31, 1992..... January 1, 1992
4 (J) For taxable years beginning on or after
5 January 1, 1993, and on or before December
6 31, 1996..... January 1, 1993
7 (K) For taxable years beginning on or after
8 January 1, 1997, and on or before December
9 31, 1997..... January 1, 1997
10 (L) For taxable years beginning on or after
11 January 1, 1998, and on or before December
12 31, 2001..... January 1, 1998
13 (M) For taxable years beginning on or after
14 January 1, 2002, and on or before December
15 31, 2004..... January 1, 2001
16 (N) For taxable years beginning on or after
17 January 1, 2005..... January 1, 2005
18

19 (2) (A) Unless otherwise specifically provided, for federal laws
20 enacted on or after January 1, 1987, and on or before the specified
21 date for the taxable year, uncodified provisions that relate to
22 provisions of the Internal Revenue Code that are incorporated for
23 purposes of this part shall be applicable to the same taxable years
24 as the incorporated provisions.

25 (B) In the case where Section 901 of the Economic Growth and
26 Tax Relief Act of 2001 (Public Law 107-16) applies to any
27 provision of the Internal Revenue Code that is incorporated for
28 purposes of this part, Section 901 of the Economic Growth and
29 Tax Relief Act of 2001 shall apply for purposes of this part in the
30 same manner and to the same taxable years as it applies for federal
31 income tax purposes.

32 (3) Subtitle G (Tax Technical Corrections) and Part I of Subtitle
33 H (Repeal of Expired or Obsolete Provisions) of the Revenue
34 Reconciliation Act of 1990 (Public Law 101-508) modified
35 numerous provisions of the Internal Revenue Code and provisions
36 of prior federal acts, some of which are incorporated by reference
37 into this part. Unless otherwise provided, the provisions described
38 in the preceding sentence, to the extent that they modify provisions
39 that are incorporated into this part, are declaratory of existing law

1 and shall be applied in the same manner and for the same periods
2 as specified in the Revenue Reconciliation Act of 1990.

3 (b) Unless otherwise specifically provided, when applying any
4 provision of the Internal Revenue Code for purposes of this part,
5 a reference to any of the following is not applicable for purposes
6 of this part:

7 (1) Except as provided in Chapter 4.5 (commencing with Section
8 23800) of Part 11 of Division 2, an electing small business
9 corporation, as defined in Section 1361(b) of the Internal Revenue
10 Code.

11 (2) Domestic international sales corporations (DISC), as defined
12 in Section 992(a) of the Internal Revenue Code.

13 (3) A personal holding company, as defined in Section 542 of
14 the Internal Revenue Code.

15 (4) A foreign personal holding company, as defined in Section
16 552 of the Internal Revenue Code.

17 (5) A foreign investment company, as defined in Section 1246(b)
18 of the Internal Revenue Code.

19 (6) A foreign trust, as defined in Section 679 of the Internal
20 Revenue Code.

21 (7) Foreign income taxes and foreign income tax credits.

22 (8) Section 911 of the Internal Revenue Code, relating to United
23 States citizens living abroad.

24 (9) A foreign corporation, except that Section 367 of the Internal
25 Revenue Code shall be applicable.

26 (10) Federal tax credits and carryovers of federal tax credits.

27 (11) Nonresident aliens.

28 (12) Deduction for personal exemptions, as provided in Section
29 151 of the Internal Revenue Code.

30 (13) The tax on generation-skipping transfers imposed by
31 Section 2601 of the Internal Revenue Code.

32 (14) The tax, relating to estates, imposed by Section 2001 or
33 2101 of the Internal Revenue Code.

34 (c) (1) The provisions contained in Sections 41 to 44, inclusive,
35 and Section 172 of the Tax Reform Act of 1984 (Public Law
36 98-369), relating to treatment of debt instruments, is not applicable
37 for taxable years beginning before January 1, 1987.

38 (2) The provisions contained in Public Law 99-121, relating to
39 the treatment of debt instruments, is not applicable for taxable
40 years beginning before January 1, 1987.

1 (3) For each taxable year beginning on or after January 1, 1987,
2 the provisions referred to by paragraphs (1) and (2) shall be
3 applicable for purposes of this part in the same manner and with
4 respect to the same obligations as the federal provisions, except
5 as otherwise provided in this part.

6 (d) When applying the Internal Revenue Code for purposes of
7 this part, regulations promulgated in final form or issued as
8 temporary regulations by “the secretary” shall be applicable as
9 regulations under this part to the extent that they do not conflict
10 with this part or with regulations issued by the Franchise Tax
11 Board.

12 (e) Whenever this part allows a taxpayer to make an election,
13 the following rules shall apply:

14 (1) A proper election filed with the Internal Revenue Service
15 in accordance with the Internal Revenue Code or regulations issued
16 by “the secretary” shall be deemed to be a proper election for
17 purposes of this part, unless otherwise provided in this part or in
18 regulations issued by the Franchise Tax Board.

19 (2) A copy of that election shall be furnished to the Franchise
20 Tax Board upon request.

21 (3) (A) Except as provided in subparagraph (B), in order to
22 obtain treatment other than that elected for federal purposes, a
23 separate election shall be filed at the time and in the manner
24 required by the Franchise Tax Board.

25 (B) (i) If a taxpayer makes a proper election for federal income
26 tax purposes prior to the time that taxpayer becomes subject to the
27 tax imposed under this part or Part 11 (commencing with Section
28 23001), that taxpayer is deemed to have made the same election
29 for purposes of the tax imposed by this part, Part 10.2 (commencing
30 with Section 18401), and Part 11 (commencing with Section
31 23001), as applicable, and that taxpayer may not make a separate
32 election for California tax purposes unless that separate election
33 is expressly authorized by this part, Part 10.2 (commencing with
34 Section 18401), or Part 11 (commencing with Section 23001), or
35 by regulations issued by the Franchise Tax Board.

36 (ii) If a taxpayer has not made a proper election for federal
37 income tax purposes prior to the time that taxpayer becomes subject
38 to tax under this part or Part 11 (commencing with Section 23001),
39 that taxpayer may not make a separate California election for
40 purposes of this part, Part 10.2 (commencing with Section 18401),

1 or Part 11 (commencing with Section 23001), unless that separate
2 election is expressly authorized by this part, Part 10.2 (commencing
3 with Section 18401), or Part 11 (commencing with Section 23001),
4 or by regulations issued by the Franchise Tax Board.

5 (iii) This subparagraph applies only to the extent that the
6 provisions of the Internal Revenue Code or the regulation issued
7 by “the secretary” authorizing an election for federal income tax
8 purposes apply for purposes of this part, Part 10.2 (commencing
9 with Section 18401) or Part 11 (commencing with Section 23001).

10 (f) Whenever this part allows or requires a taxpayer to file an
11 application or seek consent, the rules set forth in subdivision (e)
12 shall be applicable with respect to that application or consent.

13 (g) When applying the Internal Revenue Code for purposes of
14 determining the statute of limitations under this part, any reference
15 to a period of three years shall be modified to read four years for
16 purposes of this part.

17 (h) When applying, for purposes of this part, any section of the
18 Internal Revenue Code or any applicable regulation thereunder,
19 all of the following shall apply:

20 (1) References to “adjusted gross income” shall mean the
21 amount computed in accordance with Section 17072, except as
22 provided in paragraph (2).

23 (2) (A) Except as provided in subparagraph (B), references to
24 “adjusted gross income” for purposes of computing limitations
25 based upon adjusted gross income, shall mean the amount required
26 to be shown as adjusted gross income on the federal tax return for
27 the same taxable year.

28 (B) In the case of registered domestic partners and former
29 registered domestic partners, adjusted gross income, for the
30 purposes of computing limitations based upon adjusted gross
31 income, shall mean the adjusted gross income on a federal tax
32 return computed as if the registered domestic partner or former
33 registered domestic partner was treated as a spouse or former
34 spouse, respectively, for federal income tax purposes, and used
35 the same filing status that was used on the state tax return for the
36 same taxable year.

37 (3) Any reference to “subtitle” or “chapter” shall mean this part.

38 (4) The provisions of Section 7806 of the Internal Revenue
39 Code, relating to construction of title, shall apply.

(5) Any provision of the Internal Revenue Code that becomes operative on or after the specified date for that taxable year shall become operative on the same date for purposes of this part.

(6) Any provision of the Internal Revenue Code that becomes inoperative on or after the specified date for that taxable year shall become inoperative on the same date for purposes of this part.

(7) Due account shall be made for differences in federal and state terminology, effective dates, substitution of “Franchise Tax Board” for “secretary” when appropriate, and other obvious differences.

(i) Any reference to a specific provision of the Internal Revenue Code shall include modifications of that provision, if any, in this part.

SEC. 2.5. Section 17024.5 of the Revenue and Taxation Code is amended to read:

17024.5. (a) (1) Unless otherwise specifically provided, the terms “Internal Revenue Code,” “Internal Revenue Code of 1954,” or “Internal Revenue Code of 1986,” for purposes of this part, mean Title 26 of the United States Code, including all amendments thereto as enacted on the specified date for the applicable taxable year as follows:

Taxable Year	Specified Date of Internal Revenue Code Sections
(A) For taxable years beginning on or after January 1, 1983, and on or before December 31, 1983.....	January 15, 1983
(B) For taxable years beginning on or after January 1, 1984, and on or before December 31, 1984.....	January 1, 1984
(C) For taxable years beginning on or after January 1, 1985, and on or before December 31, 1985.....	January 1, 1985
(D) For taxable years beginning on or after January 1, 1986, and on or before December 31, 1986.....	January 1, 1986
(E) For taxable years beginning on or after January 1, 1987, and on or before December 31, 1988.....	January 1, 1987

1 (F) For taxable years beginning on or after
 2 January 1, 1989, and on or before December
 3 31, 1989..... January 1, 1989
 4 (G) For taxable years beginning on or after
 5 January 1, 1990, and on or before December
 6 31, 1990..... January 1, 1990
 7 (H) For taxable years beginning on or after
 8 January 1, 1991, and on or before December
 9 31, 1991..... January 1, 1991
 10 (I) For taxable years beginning on or after
 11 January 1, 1992, and on or before December
 12 31, 1992..... January 1, 1992
 13 (J) For taxable years beginning on or after
 14 January 1, 1993, and on or before December
 15 31, 1996..... January 1, 1993
 16 (K) For taxable years beginning on or after
 17 January 1, 1997, and on or before December
 18 31, 1997..... January 1, 1997
 19 (L) For taxable years beginning on or after
 20 January 1, 1998, and on or before December
 21 31, 2001..... January 1, 1998
 22 (M) For taxable years beginning on or after
 23 January 1, 2002, and on or before December
 24 31, 2004..... January 1, 2001
 25 (N) For taxable years beginning on or after
 26 January 1, 2005, and on or before December 31, 2006.... January 1, 2005
 27 (O) For taxable years beginning on or after
 28 January 1, 2007..... January 1, 2007
 29

30 (2) (A) Unless otherwise specifically provided, for federal laws
 31 enacted on or after January 1, 1987, and on or before the specified
 32 date for the taxable year, uncodified provisions that relate to
 33 provisions of the Internal Revenue Code that are incorporated for
 34 purposes of this part shall be applicable to the same taxable years
 35 as the incorporated provisions.

36 (B) In the case where Section 901 of the Economic Growth and
 37 Tax Relief Act of 2001 (Public Law 107-16) applies to any
 38 provision of the Internal Revenue Code that is incorporated for
 39 purposes of this part, Section 901 of the Economic Growth and
 40 Tax Relief Act of 2001 shall apply for purposes of this part in the

1 same manner and to the same taxable years as it applies for federal
2 income tax purposes.

3 (3) Subtitle G (Tax Technical Corrections) and Part I of Subtitle
4 H (Repeal of Expired or Obsolete Provisions) of the Revenue
5 Reconciliation Act of 1990 (Public Law 101-508) modified
6 numerous provisions of the Internal Revenue Code and provisions
7 of prior federal acts, some of which are incorporated by reference
8 into this part. Unless otherwise provided, the provisions described
9 in the preceding sentence, to the extent that they modify provisions
10 that are incorporated into this part, are declaratory of existing law
11 and shall be applied in the same manner and for the same periods
12 as specified in the Revenue Reconciliation Act of 1990.

13 (b) Unless otherwise specifically provided, when applying any
14 provision of the Internal Revenue Code for purposes of this part,
15 a reference to any of the following is not applicable for purposes
16 of this part:

17 (1) Except as provided in Chapter 4.5 (commencing with Section
18 23800) of Part 11 of Division 2, an electing small business
19 corporation, as defined in Section 1361(b) of the Internal Revenue
20 Code.

21 (2) Domestic international sales corporations (DISC), as defined
22 in Section 992(a) of the Internal Revenue Code.

23 (3) A personal holding company, as defined in Section 542 of
24 the Internal Revenue Code.

25 (4) A foreign personal holding company, as defined in Section
26 552 of the Internal Revenue Code.

27 (5) A foreign investment company, as defined in Section 1246(b)
28 of the Internal Revenue Code.

29 (6) A foreign trust, as defined in Section 679 of the Internal
30 Revenue Code.

31 (7) Foreign income taxes and foreign income tax credits.

32 (8) Section 911 of the Internal Revenue Code, relating to United
33 States citizens living abroad.

34 (9) A foreign corporation, except that Section 367 of the Internal
35 Revenue Code shall be applicable.

36 (10) Federal tax credits and carryovers of federal tax credits.

37 (11) Nonresident aliens.

38 (12) Deduction for personal exemptions, as provided in Section
39 151 of the Internal Revenue Code.

1 (13) The tax on generation-skipping transfers imposed by
2 Section 2601 of the Internal Revenue Code.

3 (14) The tax, relating to estates, imposed by Section 2001 or
4 2101 of the Internal Revenue Code.

5 (c) (1) The provisions contained in Sections 41 to 44, inclusive,
6 and Section 172 of the Tax Reform Act of 1984 (Public Law
7 98-369), relating to treatment of debt instruments, is not applicable
8 for taxable years beginning before January 1, 1987.

9 (2) The provisions contained in Public Law 99-121, relating to
10 the treatment of debt instruments, is not applicable for taxable
11 years beginning before January 1, 1987.

12 (3) For each taxable year beginning on or after January 1, 1987,
13 the provisions referred to by paragraphs (1) and (2) shall be
14 applicable for purposes of this part in the same manner and with
15 respect to the same obligations as the federal provisions, except
16 as otherwise provided in this part.

17 (d) When applying the Internal Revenue Code for purposes of
18 this part, regulations promulgated in final form or issued as
19 temporary regulations by “the secretary” shall be applicable as
20 regulations under this part to the extent that they do not conflict
21 with this part or with regulations issued by the Franchise Tax
22 Board.

23 (e) Whenever this part allows a taxpayer to make an election,
24 the following rules shall apply:

25 (1) A proper election filed with the Internal Revenue Service
26 in accordance with the Internal Revenue Code or regulations issued
27 by “the secretary” shall be deemed to be a proper election for
28 purposes of this part, unless otherwise provided in this part or in
29 regulations issued by the Franchise Tax Board.

30 (2) A copy of that election shall be furnished to the Franchise
31 Tax Board upon request.

32 (3) (A) Except as provided in subparagraph (B), in order to
33 obtain treatment other than that elected for federal purposes, a
34 separate election shall be filed at the time and in the manner
35 required by the Franchise Tax Board.

36 (B) (i) If a taxpayer makes a proper election for federal income
37 tax purposes prior to the time that taxpayer becomes subject to the
38 tax imposed under this part or Part 11 (commencing with Section
39 23001), that taxpayer is deemed to have made the same election
40 for purposes of the tax imposed by this part, Part 10.2 (commencing

1 with Section 18401), and Part 11 (commencing with Section
2 23001), as applicable, and that taxpayer may not make a separate
3 election for California tax purposes unless that separate election
4 is expressly authorized by this part, Part 10.2 (commencing with
5 Section 18401), or Part 11 (commencing with Section 23001), or
6 by regulations issued by the Franchise Tax Board.

7 (ii) If a taxpayer has not made a proper election for federal
8 income tax purposes prior to the time that taxpayer becomes subject
9 to tax under this part or Part 11 (commencing with Section 23001),
10 that taxpayer may not make a separate California election for
11 purposes of this part, Part 10.2 (commencing with Section 18401),
12 or Part 11 (commencing with Section 23001), unless that separate
13 election is expressly authorized by this part, Part 10.2 (commencing
14 with Section 18401), or Part 11 (commencing with Section 23001),
15 or by regulations issued by the Franchise Tax Board.

16 (iii) This subparagraph applies only to the extent that the
17 provisions of the Internal Revenue Code or the regulation issued
18 by “the secretary” authorizing an election for federal income tax
19 purposes apply for purposes of this part, Part 10.2 (commencing
20 with Section 18401) or Part 11 (commencing with Section 23001).

21 (f) Whenever this part allows or requires a taxpayer to file an
22 application or seek consent, the rules set forth in subdivision (e)
23 shall be applicable with respect to that application or consent.

24 (g) When applying the Internal Revenue Code for purposes of
25 determining the statute of limitations under this part, any reference
26 to a period of three years shall be modified to read four years for
27 purposes of this part.

28 (h) When applying, for purposes of this part, any section of the
29 Internal Revenue Code or any applicable regulation thereunder,
30 all of the following shall apply:

31 (1) References to “adjusted gross income” shall mean the
32 amount computed in accordance with Section 17072, except as
33 provided in paragraph (2).

34 (2) (A) Except as provided in subparagraph (B), references to
35 “adjusted gross income” for purposes of computing limitations
36 based upon adjusted gross income, shall mean the amount required
37 to be shown as adjusted gross income on the federal tax return for
38 the same taxable year.

39 (B) In the case of registered domestic partners ~~filing a joint~~
40 ~~return under Section 18521~~ *and former registered domestic*

1 *partners, adjusted gross income, for the purposes of computing*
2 *limitations based upon adjusted gross income, shall mean the total*
3 *of the amount required to be shown as adjusted gross income on*
4 *the a federal tax return for the same taxable year of each registered*
5 *domestic partner computed as if the registered domestic partner*
6 *or former registered domestic partner was treated as a spouse or*
7 *former spouse, respectively, for federal income tax purposes, and*
8 *used the same filing status that was used on the state tax return*
9 *for the same taxable year.*

10 (3) Any reference to “subtitle” or “chapter” shall mean this part.

11 (4) The provisions of Section 7806 of the Internal Revenue
12 Code, relating to construction of title, shall apply.

13 (5) Any provision of the Internal Revenue Code that becomes
14 operative on or after the specified date for that taxable year shall
15 become operative on the same date for purposes of this part.

16 (6) Any provision of the Internal Revenue Code that becomes
17 inoperative on or after the specified date for that taxable year shall
18 become inoperative on the same date for purposes of this part.

19 (7) Due account shall be made for differences in federal and
20 state terminology, effective dates, substitution of “Franchise Tax
21 Board” for “secretary” when appropriate, and other obvious
22 differences.

23 (8) *Except as otherwise provided, any reference to Section 501*
24 *of the Internal Revenue Code shall be interpreted to also refer to*
25 *Section 23701.*

26 (i) Any reference to a specific provision of the Internal Revenue
27 Code shall include modifications of that provision, if any, in this
28 part.

29 SEC. 3. Section 19136.13 is added to the Revenue and Taxation
30 Code, to read:

31 19136.13. No addition to tax shall be made pursuant to Section
32 19136 for any period before the date prescribed under Section
33 18566 for the filing of the return for the 2007 taxable year, with
34 respect to any underpayment of an installment for the 2007 taxable
35 year, to the extent that the underpayment was created or increased
36 by any provision of the act adding this section or Chapter 802 of
37 the Statutes of 2006.

38 SEC. 4. *Section 2.5 of this bill incorporates amendments to*
39 *Section 17024.5 of the Revenue and Taxation Code proposed by*
40 *both this bill and AB 1561. It shall only become operative if (1)*

1 *both bills are enacted and become effective on or before January*
2 *1, 2008, (2) each bill amends Section 17024.5 of the Revenue and*
3 *Taxation Code, and (3) this bill is enacted after AB 1561, in which*
4 *case Section 2 of this bill shall not become operative.*

5 ~~SEC. 4.~~

6 *SEC. 5.* This act provides for a tax levy within the meaning of
7 Article IV of the Constitution and shall go into immediate effect.

O